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February 15, 1960

CAPITAL MARKET DEVELOPMENTS
IN THE UNITED STATES AND CANADA

Part I - United States

During the week ending February 12, one large corporate issue for \$25 million and State and local government issues (including a \$103 million Public Housing Authority offering) totaling \$113 million were sold. A \$125 million issue of the International Bank for Reconstruction and Development and a \$30 million Canadian issue were also offered.

This week, the volume of corporate security offerings for new capital is expected to be much larger than in recent weeks. Corporations are expected to offer \$162 million of securities. The calendar also includes large State and local government issues totaling \$60 million.

Bond yields - Yields continued to decline last week for all categories of outstanding bonds except those for lower grade corporate bonds which remained stable.

Housing starts - Private nonfarm housing starts in January declined more than usual, and at a seasonally adjusted annual rate of 1,210,000 units were at the October-November level, well below the December rate (revised upward) of 1,330,000 units. At 21.5 per cent of the total, FHA-insured starts accounted for the smallest share of the total in eleven months.

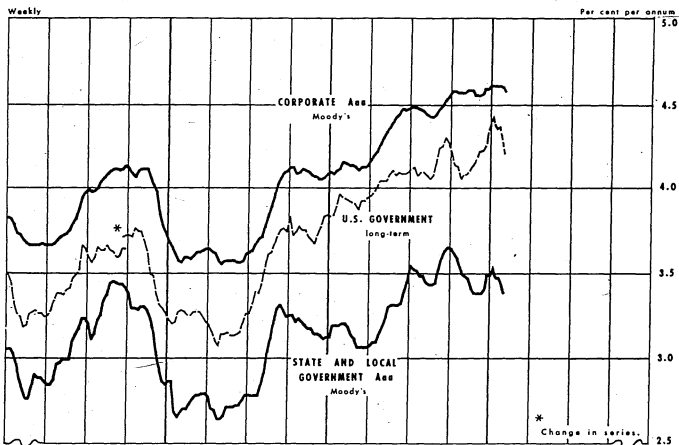
Stock prices - Stock prices, as measured by Standard and Poor's index of 500 common stocks declined on balance last week, closing at 55.46 on February 12. Trading activity declined slightly with the daily volume averaging 2.7 million shares a day.

More detailed information concerning recent capital market developments is presented in the attached exhibits.

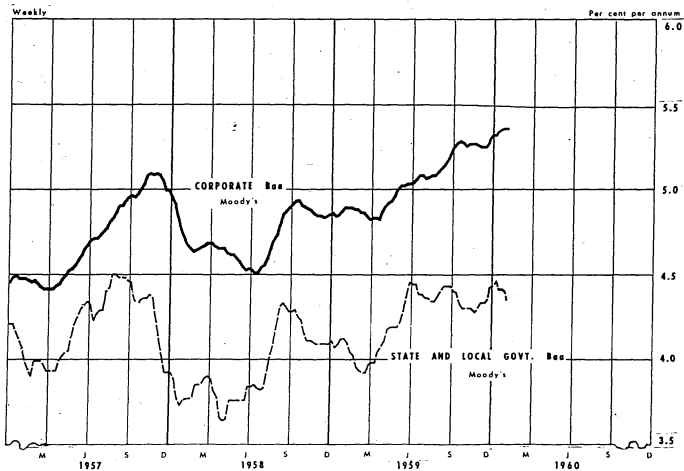
Developments in the Canadian capital market are presented in Part II at the end of this report.

Capital Markets Section,
Division of Research and Statistics,
Board of Governors of the Federal Reserve System.

HIGH-GRADE BOND YIELDS



LOWER-GRADE BOND YIELDS



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Exhibit B - Tables for Exhibit A

High-grade Bond Yields

Date	Corporate Aaa 1/	U. S. Govt. long-term 2/	State and local govt. Aaa 3/	Spread between U. S. Govt. and	
				Corporate Aaa	State and local Aaa
(Per cent)					
1954 - Low	2.85 (4/23)	2.45 (8/6)	1.90 (9/2)	.30	.30
1957 - High	4.14 (9/27)	3.76 (10/18)	3.45 (8/29)	.60	.47
1958 - Low	3.55 (5/2)	3.07 (4/25)	2.64 (5/1)	.22	.34
1959 - High	4.61 (12/31)	4.37 (12/31)	3.65 (9/24)	.50	.92
Low	4.09 (1/9)	3.83 (1/2)	3.06 (3/26)	.16	.53
1960 - High	4.61 (1/29)	4.42 (1/8)	3.53 (1/7)	.37	.89
Low	4.57 (2/12)	4.20 (2/12)	3.38 (2/11)	.19	.82
Jan. 15	4.61	4.37	3.49	.24	.88
Jan. 22	4.61	4.35	3.47	.26	.88
Jan. 29	4.61	4.36	3.47	.25	.89
Feb. 5	4.60	4.29	3.43	.31	.86
Feb. 12 p/	4.57	4.20	3.38	.37	.82

Lower-grade Bond Yields

Date	Corporate Baa 1/	State and local govt. Baa 2/	Spread between Aaa and Baa	
			Corporate	State and local govt.
(Per cent)				
1954 - Low	3.44 (12/31)	2.93 (8/5)	.52	.96
1957 - High	5.10 (11/29)	4.51 (8/29)	1.27	1.21
1958 - Low	4.51 (7/11)	3.64 (5/1)	.77	.93
1959 - High	5.32 (12/31)	4.46 (7/2)	.77	.98
Low	4.83 (4/17)	3.92 (3/26)	.56	.79
1960 - High	5.36 (2/12)	4.46 (1/7)	.79	.97
Low	5.32 (1/8)	4.35 (2/11)	.71	.93
Jan. 15	5.34	4.43	.73	.94
Jan. 22	5.35	4.41	.74	.94
Jan. 29	5.36	4.41	.75	.94
Feb. 5	5.36	4.40	.76	.97
Feb. 12 p/	5.36	4.35	.79	.97

p/ Preliminary.

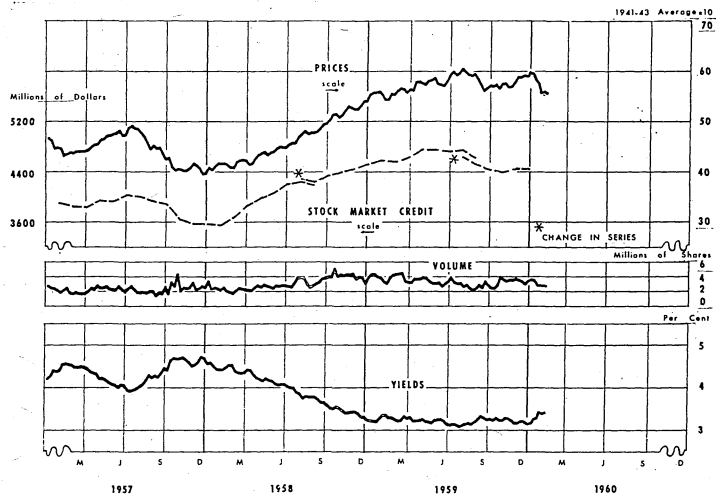
1/ Weekly average of daily figures. Average term of bonds included is 25-26 years.

2/ Weekly average of daily figures. The series includes bonds due or callable in 10 years or more.

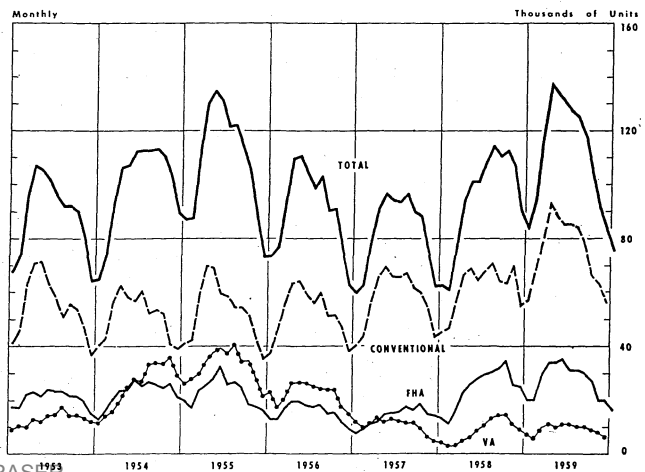
3/ Thursday figures. Only general obligation bonds are included; average term is 20 years.

Note.--Highs and lows are for individual series and may be on different dates for different series.

STOCK MARKET



PRIVATE PERMANENT NONFARM DWELLING UNITS STARTED



Stock Market

Date	Stock price index ^{1/}	Common stock yields ^{2/} (per cent)	Trading volume ^{3/} (millions of shares)	Stock market customer credit		
				Total	Customers' debit balances ^{4/}	Bank loans to "others" ^{5/}
(Millions of dollars)						
1957-1959 - High	60.51 (7/31/59)	3.07	4.3	4,764	3,401	1,373
Low	39.78 (12/27/57)	4.66	1.4	3,554	2,482	1,060
1960 - High	59.50 (1/8)	3.18	3.6	n.a.	n.a.	n.a.
Low	55.46 (2/12)	3.41	2.7	n.a.	n.a.	n.a.
December	59.06	3.18	3.3	4,454	3,280	1,174
January	58.03	3.28	3.2	n.a.	n.a.	1,167
Jan. 29	55.61	3.41	2.8	n.a.	n.a.	1,167
Feb. 5	55.98	3.38	2.8	n.a.	n.a.	1,155
Feb. 12 ^{p/}	55.46	3.41	2.7	n.a.	n.a.	n.a.

n.a.--Not available. ^{p/} Preliminary.

^{1/} Standard and Poor's composite index of 500 common stocks, weekly closing prices, 1941-43=10. Monthly data are averages of daily figures rather than of Fridays' only. Highs and lows are for Fridays' data only.

^{2/} Standard and Poor's composite stock yield based on Wednesday data converted to weekly closing prices by Federal Reserve. Yields shown are for dates on which price index reached its high or low.

^{3/} Averages of daily trading volume on the New York Stock Exchange.

^{4/} End of month figures for member firms of the New York Stock Exchange which carry margin accounts; excludes balances secured by U. S. Government obligations.

^{5/} Wednesday figures for weekly reporting member banks. Excludes loans for purchasing or carrying U. S. Government securities. Prior to July 1, 1959, such loans are excluded only at banks in New York and Chicago. Weekly reporting banks account for about 70 per cent of loans to others. For further detail see *Bulletin*.

Private Permanent Nonfarm Dwelling Units Started ^{1/}

Date	Total		Unadjusted		
	Seasonally adjusted annual rate	Unadjusted	FHA	VA	Conv.
(Thousands of units)					
1959 - Jan.	1,364	84	20	7	57
Feb.	1,403	94	20	6	67
Mar.	1,403	118	30	10	78
Apr.	1,434	137	34	11	93
May	1,370	134	34	10	89
June	1,368	131	35	11	85
July	1,375	127	31	11	85
Aug.	1,340	125	31	10	84
Sept.	1,323	117	30	10	77
Oct.	1,180	102	27	9	66
Nov.	1,210	91	20	8	63
Dec.	^{p/} 1,330	^{p/} 83	20	6	^{p/} 56
1960 - Jan.	^{p/} 1,210	^{p/} 75	16	n.a.	n.a.

^{1/} Total starts are Census estimates. Prior to June, 1959, data are from Bureau of Labor Statistics. A dwelling unit is started when excavation begins; all units in an apartment structure are considered started at that time. FHA and VA starts are units started under commitments by these agencies to insure or guarantee the mortgages. As reported by FHA and VA, a unit is started when a field office receives the first compliance inspection report, which is made before footings are poured in some cases but normally after the foundations have been completed. Capehart military housing units are excluded. Conventional starts are derived as a residual, although total and FHA and VA starts are not strictly comparable in concept or timing; they include both units financed by conventional mortgages and units without mortgages.

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Exhibit E

Long-term Corporate and State and Local Government
Security Offerings and Placements

(In millions of dollars)

	New capital					
	Corporate 1/			State and local 2/		
	1960	1959	1958	1960	1959	1958
January	e/700	840	728	e/700	638	812
February	e/600	745	857	e/550	857	953
March		631	1,553 ^{3/}		645	511
April		899	1,140		931	798
May		791	597		592	895
June		874	887		r/1,005	551
July		531	1,107		567	806
August		718	540		514	403
September		709	1,114		468	651
October		887	862		p/590	456
November		865	518		p/497	474
December		936	920		e/450	435
1st quarter		2,216	3,139		2,139	2,276
2nd quarter		2,564	2,623		r/2,528	2,244
3rd quarter		1,958	2,760		1,549	1,860
4th quarter		2,688	2,300		e/1,537	1,365
1st half		4,780	5,762		r/4,667	4,520
Three quarters		6,738	8,522		r/6,261	6,380
Year		9,427	10,823		e/7,753	7,746
	Excluding finance companies 4/					
1st quarter		2,011	2,899			
2nd quarter		2,409	2,586			
3rd quarter		1,695	2,731			
4th quarter		e/2,538	2,213			
Year		e/8,654	10,429			

e/ Estimated.

p/ Preliminary.

1/ Securities and Exchange Commission estimates of net proceeds.

2/ Investment Bankers Association of America estimates of principal amounts.

3/ Includes \$718.3 million AT&T convertible debenture issue.

4/ Total new capital issues excluding offerings of sales and consumer finance companies.

Other Security Offerings ^{1/}

(In millions of dollars)

	Long-term						
	Foreign government ^{2/}			Federal agency ^{3/}			
	1960	1959	1958	1960	1959	1958	
January		77	196		199	1,163	
February		59	53		--	251	
March		2	--		175	--	
April		56	139		--	523	
May		50	198		--	--	
June		42	120		--	--	
July		85	9		--	164	
August		1	5		98	--	
September		36	17		150	--	
October		33	58		--	220	
November		42	123		--	--	
December		70	74		86	--	
Year		558	992		707	2,321	
		Short-term					
		State and local government ^{4/}		Federal agency ^{3/}			
January		190	233	479	359	371	
February		428	460		500	208	
March		295	273		489	144	
April		563	357		486	209	
May		411	354		675	161	
June		245	264		289	329	
July		246	289		727	437	
August		467	423		365	206	
September		399	369		665	330	
October		235	231		733	454	
November		343	415		471	114	
December		306	243		288	137	
Year		4,127	3,910		6,047	3,098	

^{p/} Preliminary.^{1/} Data presented in this exhibit differ from those in Exhibit E in that refunding issues, as well as new capital issues, are included. Long-term securities are defined as those maturing in more than one year.^{2/} Includes securities offered in the United States by foreign governments and their subdivisions and by international organizations. Sources: Securities and Exchange Commission.^{3/} Issues not guaranteed by the U. S. Government. Sources: long-term, Securities and Exchange Commission; short-term, Federal Reserve.^{4/} Principally tax and bond anticipation notes, warrants or certificates and Public Housing Authority notes. In some instances FHA notes included may have a somewhat longer term than one year. Sources: Bond Buyer.

Large Long-term Public Security Issues for New Capital
(Other than U. S. Treasury) 1/

Proceeds of Large Issues Offered

(Millions of dollars)

Month	Corporate	State and local government	Other <u>2/</u>
1959 - January	369	335	174
February	340	551	35
March	215	369	176
April	359	563	20
May	342	258	50
June	284	635	60
July	110	194	50
August	363	263	98
September	199	214	175
October	400	294	20
November	421	163	--
December	230	217	70
1960 - January	279	388	100

Large Individual Issues Offered February 1 through 12

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Consolidated Nat. Gas Co.	Deb.	25.0	1985	5	4.95	Aaa
<u>STATE AND LOCAL GOVERNMENT</u>						
Milwaukee Co., Wisc.	G.O.	12.5 ^{4/}	1961-80	3.19	2.65-3.25	Aaa
New York, New York	G.O.	22.0	1961-65	3.35	2.85-3.35	A
Wash. Sub. Sanit. Dist., Md.	G.O.	10.0	1961-90/75	3.77	3.00-4.50	Baa
Public Housing Authorities	G.O.	102.8	1961-2000/76	3.82	2.60-3.90	Aaa
<u>OTHER</u>						
Prov. of New Brunswick, Can.	S.F. deb.	15.0	1985	5 3/8	5.40	A
Montreal Metro. Corp., Can.	S.F. deb.	30.0	1985	5 5/8	5.70	A
International Bank for Reconstruction and Development	Bds.	125.0	1985	5	5.00	Aaa

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Footnotes

1/ Includes corporate and other security offerings of \$15 million and over; State and local government security offerings of \$10 million and over.

2/ Includes foreign government and International Bank for Reconstruction and Development issues and non-guaranteed issues by Federal agencies.

3/ In the case of State and local government securities, G. O. denotes general obligations; Rev.-Ut., revenue obligations secured only by income from public utilities; Rev.-Q.Ut., revenue bonds secured only by revenue from quasi-utilities; Rev.-S.T., revenue bonds secured by revenue from specific taxes only; Rev.-Rent., revenue bonds secured solely by lease payments.

4/ \$1.3 million of bonds of 1961 to 1970 not reoffered.

Forthcoming Large Long-term Public Security Offerings for New Capital
(Other than U. S. Treasury) 1/

Expected Proceeds from Forthcoming Large Issues

Date of computation	During month following date shown			Subsequent to date shown		
	Corporate	State and local govt.	Other 2/	Corporate	State and local govt.	Other 2/
1959 - Jan. 30	270	551	45	365	856	45
Feb. 27	198	292	--	279	481	--
Mar. 31	396	550	20	476	761	20
Apr. 30	246	254	50	346	517	50
May 29	287	247	--	332	761	--
June 30	165	146	50	272	500	50
July 31	238	356	--	305	406	--
Aug. 31	198	385	25	517	402	25
Sept. 30	374	270	--	694	470	--
Oct. 30	385	115	--	509	336	--
Nov. 30	226	295	70	271	485	70
Dec. 31	210	445	30	280	545	30
1960 - Jan. 29	207	210	45	252	310	45

Forthcoming Large Offerings, as of February 12

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Pacific Telephone & Telegraph Co.	Deb.	72.0	Feb. 17
*Tennessee Gas Transmission Co.	Com. stk.	40.0	Feb. 17
Duke Power Co.	1st & ref. mtg. bds.	50.0	Feb. 19
Duquesne Light Co.	S.F. deb.	20.0	Feb. 25
Brooklyn Union Gas Co.	Pfd. stk.	15.0	Feb. 25
Dayton Power & Light Co.	1st mtg. bds.	25.0	Feb. 26
Imperial Investment Co., Ltd.	Coll. tr. bds.	15.0	Mar. 3
*Northern Indiana Public Service Co.	1st mtg. bds.	15.0	Mar. 16
*Louisiana Power & Light Co.	1st mtg. bds.	20.0	Mar. 30
Commerce Oil Refining Corp.	Deb., bds. & com.	45.0	Indefinite
<u>STATE AND LOCAL GOVERNMENT</u>			
Dallas, Texas	G.O.	10.0	Feb. 15
	Rev.-Ut.	8.0	
Port of New York Authority	Rev.-Ut.	30.0	Feb. 16
St. Louis, Missouri	G.O.	12.4	Feb. 17
Los Angeles Co., California	G.O.	18.3	Feb. 23
Cuyahoga Co., Ohio	G.O.	10.5	Feb. 25
*Alabama Board of Education	Rev.-Q.Ut.	20.0	Feb. 25
Ventura Port Dist., Calif.	Rev.-Ut.	10.0	Feb.
Elizabeth River Tunnel Comm., Va.	Rev.-Ut.	22.0	Feb.
Grand Rapids Expressway, Mich.	Rev.-S.T.	18.0	Mar. 1
Newark, New Jersey	G.O.	15.0	Mar. 1
State of California	G.O.	100.0	Mar. 9
<u>OTHER</u>			
None			

Footnotes

*--Included in table for first time.

1/ Includes corporate and other issues of \$15 million and over; State and local government issues of \$10 million and over.

2/ Includes foreign government and International Bank for Reconstruction and Development issues and non-guaranteed issues by Federal agencies.

Note.--Deletions for reasons other than sale of issue: None.

Yields on New and Outstanding
Electric Power Bonds, Rated Aa and A 1/

Date	Aa-rated offering yields		A-rated offering yields	
	Actual (per cent)	Amount above seasoned yields (basis points)	Actual (per cent)	Amount above seasoned yields (basis points)
1952 - 1958				
High	5.00 (9/14/57)	87	5.50 (11/7/57)	123
Low	2.93 (3/31/54)	-3	3.00 (3/17/54)	-15
1959 - January	4.63	37	*4.75 ^{2/}	23
February	*4.35 ^{2/}	4		
March	4.43 ^{2/}	10		
April	4.58 ^{2/}	17	*4.67	18
May	4.97	37	5.01	25
June	*4.95	29	5.01 ^{3/}	15
July 9			5.10	19
10	4.93	31		
15			5.10	19
30			5.00	13
Aug. 5	4.85	24		
20	4.80	22		
Sept. 18			5.65	60
Oct. 22	5.25	46		
23	4.95 ^{2/}	16		
28	5.15	40	5.25	35
29			5.40	50
30	5.15	42		
Nov. 25	5.08	42		
Dec. 8	5.30	63		
9			5.45	51
10			5.44	50
1960 - Jan. 7			5.30 ^{2/}	28

*--Single observation, not an average.

1/ Covers only 30-year first mortgage bonds, as reported in Moody's Bond Survey. Except where indicated, the actual yield figure and the amount above seasoned yields are averages of offerings during the indicated period and of the differences between these new offering yields and yields on seasoned issues of similar quality for the same day. Average maturity for the seasoned issues varies from 26 to 28 years.

2/ Provides for a 5-year period during which issue may not be called for refunding at a lower coupon rate. Monthly averages so marked include one or more issues with such a provision. Other issues have no such provision.

3/ Includes one issue which provides for a 7-year period during which the issue may not be called for refunding at a lower coupon rate.

Part II - Canada

Despite the continuing declines in U.S. bill rates, short-term Canadian yields were unchanged or upward during the past week. However, there was a general easing in the yields on intermediate- and long-term bonds, probably in part a reflection of the stronger tone in the U.S. bond market. Average bond yields in the industrial, public utility and provincial sectors of the Canadian market rose during the month of January.

Money market conditions. The tight cash positions of the chartered banks, which produced a substantial decline in their bill holdings, contributed to rising short-money rates in Canada. While the yield on the short bill was unchanged (4.75 per cent at last Thursday's auction compared with 4.76 per cent a week earlier), the yield on the six months bill rose from 4.99 per cent to 5.05 per cent. The day-to-day loan rate closed on Wednesday at 4.55 per cent or 1.20 per cent above the close a week earlier. The major changes in Treasury bill holdings during the week in millions of Canadian dollars were:

Chartered banks	-85
Bank of Canada	15
Government accounts	18
General public	52

The substantial increase in public holdings of bills reflected, at least in part, the widening spread in favor of the Canadian bill against the United States bill. The spread on the 3-month bill was 90 basis points and that on the 6-month bill 85 basis points (see Table). The interest incentive in favor of the short Canadian bill against the United States bill with the forward exchange risk covered widened to almost 0.50 per cent per annum (see Table).

Bond market developments. There was a general easing in Government of Canada bond yields, at least in part in response to rising bond prices in United States markets. Despite this easing, the spreads in favor of Canadian bonds were wider than they have been since last fall. On Thursday, spreads between comparable Canadian and United States securities were (figures in parenthesis refer to the preceding week):

0.90 per cent on a 91-day bill	(0.81)
0.85 per cent on a 182-day bill	(0.56)
0.81 per cent on an 8-year bond	(0.71)
1.12 per cent on a 20-year bond	(1.06)
1.33 per cent on a 35-year bond	(1.22)

During January, yields in other sectors of the capital market rose. On an average of 40 bonds, the average market yield rose from 6.23 per cent at the end of December to 6.30 per cent on February 1 (see Table). Yields in the public utilities sector rose by 13 basis points, those in the industrial by 8 basis points and those in the provincial by 7 basis points; the average yield of 10 municipal issues was unchanged.

Two Canadian placements in United States markets were reported last week. Montreal Metropolitan Corporation made its first sale in this country; it was a (U.S.) \$30 million, 25-year sinking fund debenture with a 5-5/8 per cent coupon, priced to the public to yield 5.70 per cent and costing the borrower about 6.40 per cent. The Simpson-Sears Acceptance Company placed privately (U.S.) \$5 million in a 5-7/8 per cent, 20-year secured debenture; for comparison, the same borrower obtained \$20 million for the same maturity in Canada early in January with a 6-3/4 per cent coupon.

Stock markets. Canadian stock prices resumed their declines last week. The Toronto industrial index on Friday closed at 504.38 compared with 510.90 a week ago, 524.21 a month ago and 532.19 a year ago. The Montreal industrial index closed at 299.7 compared with 303.9 a week ago, 313.8 a month ago and 311.5 a year ago. During the past five weeks, the decline in Canadian industrial shares has been about half the comparable decline in industrials in New York. Two factors contributing to the more limited price declines in Canada seem to be: (a) many key Canadian stocks compare relatively favorably with earnings; and (b) there appears to be much less United States and European participation in Canadian markets than in 1956-57 and in 1958. Recent price declines in Canada have not been marked by heavy selling pressures but a continued reluctance to buy has been reported.

British Commonwealth Section
Division of International Finance
Board of Governors of the Federal Reserve System

Selected Government of Canada Security Yields

<u>Date</u>	<u>3-month Treasury bills^{1/}</u>	<u>Inter-mediate Govt. bonds^{2/}</u>	<u>Long-term Govt. bonds^{2/}</u>	<u>Spread between Canadian & U.S. rates</u>		<u>Discount on 3-mo. Canadian dollar^{3/}</u>
				<u>long-term bonds^{4/}</u>	<u>3-mo. bills^{2/}</u>	
1957 - High	4.08	4.81	4.35			
1958 - High	3.65	4.52	4.42			
Low	0.87	3.31	3.78			
1959 - High	6.16	5.30	5.30	1.19	2.96	
Low	3.25	4.45	4.41	0.47	0.30	
Jan. 21	4.66	5.43	5.41	0.97	0.39	0.24
28	4.60	5.45	5.41	0.99	0.68	0.42
Feb. 4	4.76	5.36	5.38	1.06	0.81	0.54
11	4.75	5.40	5.35	1.12	0.90	0.42

- 1/ Average yield at weekly tender on Thursday.
 2/ Government of Canada 2-3/4 per cent of June 15, 1967-68.
 3/ Government of Canada 3-1/4 per cent of 1979.
 4/ U.S. Government 3-1/4 per cent of 1978-83. Government of Canada 3-1/4 per cent of 1979.
 5/ Spread between Canadian auction rate and composite market yield for the U.S. bill on the close of business on Thursday.
 6/ Spread between 3-months forward and spot price of the Canadian dollar, expressed as per cent per annum, on Thursday.

Averages of Selected Bond Yields

<u>Date</u>	<u>10 Provincial^{1/}</u>	<u>10 Municipal^{1/}</u>	<u>10 Public Utilities^{1/}</u>	<u>10 Industrial^{1/}</u>	<u>Govt. of Canada long-term^{2/}</u>
1954-55 - Low	3.27	3.65	3.69	3.93	3.18
1957 - High	5.18	5.77	5.50	5.77	4.29
1958 - High	5.08	5.30	5.03	5.12	4.78
Low	4.46	5.02	4.81	4.78	3.88
1959 - High	6.19	6.60	6.01	6.05	5.61
Low	5.14	5.38	5.14	5.22	4.70
Nov. 2	6.06	6.53	6.00	6.03	5.52
Dec. 1	5.97	6.52	6.00	6.02	5.52
Dec. 31	6.12	6.60	6.04	6.14	5.60
Feb. 1	6.19	6.60	6.17	6.22	5.73

1/ Average term of bonds included is 14-16 years. Source: McLeod, Young, Weir and Co., Ltd.

2/ Government of Canada 3-3/4 per cent of January 15, 1975-78.